

**STAFF REPORT
AGENDA ITEM 22.D.
REQUEST TO INCREASE SANITARY SEWER RATES
BEGINNING FEBRUARY 1, 2023**

Discussion: The City Council approved the last series of sewer rate increases in 2019. Public Works requested 9.5% per year for three years. The Council approved 9.5% for the first year and 3.5% for the following two years. The last of the three rate increases was in February of 2021.

The fund's revenue and budget are impacted by the following:

- The sanitary sewer rate is based on both a fixed unit fee and a water consumption fee. Laconia Water Works' sale of water over the last 10 years has reduced by an average of 1.5% per year thus reducing the sewer fund's annual revenue.
- Inflation; particularly the increase in the cost of electricity, supplies, and design/construction services.
- The Winnepesaukee River Basin Program's (WRBP) budget increase programmed for FY2024. The City's payments to the Program represent 55% of the sanitary sewer fund's budget. The WRBP is increasing its fees by 26% in FY 2024. The City's share of this fee increase is approximately \$707,000. There is also a \$394,000 2023 O&M overage that we must pay back in 2024. That is \$1.1m of additional 2024 cost to the SSF.
 - WRBP's budget increase is due to the impact of Inflation, the increase in the cost of electricity and chemicals used in the treatment process, the cost of disposing of sludge, and the age/condition of the equipment in WRBP's system which results in the Program having to replace versus repair equipment over the next several years.
- A \$322,000 increase in Laconia's debt service payments to the WRBP in FY 2026. This increase is due to the significant projects necessary to maintain a 40-year-old sewage treatment system.

Every \$100,00 increase in expenses represents approximately 2% of the sanitary sewer system's budget. Thus, WRBP's FY 2024 proposed rate increase represents a 14% increase in the City's sanitary sewer fund budget.

Additionally, Public Works was requested to determine the cost of the sanitary sewer fund managing and funding the cleaning and inspection of private sewer systems in the City. Private sewer systems must also meet the City's EPA sewage system permit requirement. There are approximately 100 private sewer collection systems in the City. Public Works analyzed the cost of cleaning and inspecting these systems assuming that 20% of the private sewer systems are inspected every year resulting in completing the inspection of private sewer systems every 5 years.

Public Works analyzed the first-year annual cost of the City performing the inspections and the average cost per property owner of the Associations performing their inspections. The results follow:

- The cost for the City to manage and perform the program is \$204,000 per year. This estimate includes the cost of a new employee, cleaning, jetting and video recording all of the private sewer mains.

The following chart summarizes the projected cost increases not including inflation over the next three fiscal years.

Year	Source	Increase	Payments to WRBP	Comments	SSF O & M budget
FY 2023	NA	NA	\$2.5 million	WRBP exceeded its FY23 Budget by \$394k	\$4.6 Million
FY 2024	WRBP	\$1.1m	\$3.6 million	WRBP Budget increase	
FY 2024	City	\$204,000		SSF costs of private sewer program	
FY 2025	WRBP		\$3.5m		
FY 2026	WRBP	\$322,000	\$3.8m	WRBP debt service increase	

Fiscal Impact: Failure to increase rates will reduce the Department’s ability to operate and maintain the City’s sanitary sewer system under the EPA’s operating permit. Any less than the proposed rate increase, will further defer our sewers maintenance needs.

Recommendation: Public Works recommends that the City Council approve the below rate increase.

Fiscal year	Sewer with City water meter		Sewer Only
	Fixed Fee per Quarter	Consumption Charge (per hundred cubic feet)	Annual Residential Bill
2023	\$42.40	\$5.90	\$561.80
2024	\$46.22	\$6.44	\$612.36
2025	\$50.38	\$7.01	\$667.47
2026	\$54.91	\$7.65	\$727.55
2027	\$59.30	\$8.26	\$785.75
2028	\$64.05	\$8.92	\$848.61
2029	\$67.25	\$9.36	\$891.04
2030	\$70.61	\$9.83	\$935.59
2031	\$74.14	\$10.32	\$982.37
2032	\$77.85	\$10.84	\$1,031.49

Report Submitted by: Wesley B. Anderson, Director of Public Works.

Proposed motions:

“I move to waive a reading of this Ordinance in its entirety and to read by title only.”

“I move to approve the first reading of Ordinance 2023-189-50-01, an Ordinance amending Chapter 189-50, Sewer Charges.”

“I move to schedule a public hearing on Ordinance – 2023-189-50-01, for February 13, 2023 during the regular City Council meeting.”